



## **PUBLIC DISCLOSURE**

**August 27, 2018**

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**COASTAL BANK & TRUST**

**JACKSONVILLE, NORTH CAROLINA**

**Federal Reserve Bank of Richmond  
Richmond, Virginia**

This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Federal financial supervisory agency concerning the safety and soundness of this financial institution.

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3869123

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Jacksonville, North Carolina 28456

**Federal Reserve Bank of Richmond  
P. O. Box 27622  
Richmond, Virginia 23261**

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## TABLE OF CONTENTS

	Page
Institution's CRA Rating .....	1
Scope of Examination.....	1
Description of Institution.....	1
Description of Jacksonville, NC MSA Assessment Area.....	2
Conclusions with Respect to Performance Criteria.....	5
Glossary .....	10

## COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**INSTITUTION'S CRA RATING:** This institution is rated Satisfactory.

The major factors supporting this rating include:

- The bank's loan-to-deposit ratio is considered more than reasonable given bank capacity and the demand for credit within the assessment area.
- A majority of the institution's Home Mortgage Disclosure Act (HMDA) and small business loans considered in the evaluation were originated within the bank's assessment area.
- The bank's borrower distribution performance (lending to low- and moderate- income borrowers and small businesses having annual revenues of \$1 million or less) is considered reasonable overall.
- The bank's geographic distribution performance (lending in low- and moderate- income census tracts) is considered reasonable overall.
- There have been no complaints regarding the bank's Community Reinvestment Act (CRA) performance since the previous CRA evaluation.

### **SCOPE OF EXAMINATION**

Coastal Bank & Trust (CBT) was evaluated using the interagency examination procedures for small institutions developed by the Federal Financial Institutions Examination Council. Consistent with these procedures, all 62 reported residential mortgage loan originations by the institution during calendar years 2016 and 2017 were reviewed in accordance with the HMDA. Additionally, small business loans are considered to be a primary product line, and all 85 small business originations in 2016 and 2017 were considered in the evaluation.

### **DESCRIPTION OF INSTITUTION**

CBT is headquartered in Jacksonville, North Carolina, and operates two branches and one loan production office within the State of North Carolina. The bank has no affiliates or subsidiaries. Since the previous evaluation, the bank opened a branch in the county of Onslow, North Carolina, which did not affect its Jacksonville, NC Metropolitan Statistical Area (MSA) assessment area. In addition, the bank opened a loan production office in Wilmington, North Carolina, outside of its assessment area. CBT received a Satisfactory rating at its prior CRA evaluation dated July 7, 2014. No known legal impediment exists that would prevent the bank from meeting the credit needs of its assessment area.

As of June 30, 2018, CBT held assets totaling \$108.3 million, of which 67.1% were net loans. As of the same date, deposits totaled \$90.6 million. Various deposit and loan products are available through the institution including loans for residential mortgage, consumer, and small business purposes. The composition of the loan portfolio using gross loans, as of June 30, 2018, is represented in the following table.

### Composition of Loan Portfolio

Loan Type	6/30/2018	
	\$(000s)	%
Secured by 1-4 Family dwellings	22,463	30.5
Multifamily	1,250	1.7
Construction and Development	13,461	18.3
Commercial & Industrial/ NonFarm NonResidential	35,289	47.9
Consumer Loans and Credit Cards	746	1.0
Agricultural Loans/ Farmland	534	0.7
All Other	0	0.0
<b>Total</b>	<b>73,743</b>	<b>100.0</b>

*Note: percentages in the table may not equal 100% due to rounding.*

As indicated in the preceding table, CBT is an active commercial/small business and residential mortgage lender, with other loan products comprising a nominal amount. As such, the volume of small business and reported HMDA loans led to their consideration within the evaluation.

### **DESCRIPTION OF INSTITUTION'S OPERATIONS IN JACKSONVILLE, NC MSA ASSESSMENT AREA**

CBT has delineated one assessment area comprised of the entire Jacksonville, NC MSA which consists solely of Onslow County, North Carolina and is located in southeastern North Carolina. Within this assessment area, CBT operates two full-service branches. One of the branches was opened since the previous evaluation; however, this did not affect the assessment area delineation.

As of June 30, 2017, CBT ranked 5<sup>th</sup> out of 11 financial institutions in local deposit market share according to data compiled by the Federal Deposit Insurance Corporation and held 7.8% of the assessment area's deposits (credit union deposits are not included). Additionally, according to 2016 aggregate data, the bank ranked 38<sup>th</sup> out of 230 lenders in reported mortgage lending with a .3% market share.

Based on 2010 American Community Survey (ACS) data, the assessment area served by the bank has a total population of 177,772 and a median housing value of \$137,383. Within the assessment area, the owner-occupancy rate is 48.6%, which is lower than the owner-occupancy rate for the State of North Carolina (58.4%). The percentage of families living below the poverty level in the assessment area (11%) is similar to the rate in the State of North Carolina (11.4%). The Jacksonville, NC MSA median family income during 2016 equaled \$51,200. The following table includes pertinent demographic data for the assessment area in 2016.

### Assessment Area Demographics

<b>Jacksonville, NC MSA</b> <i>(Based on 2010 ACS Data and 2016 D&amp;B Information)</i>								
Income Categories*	Tract Distribution		Families by Tract		Families < Poverty as a % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	7,195	17.2
Moderate	4	12.5	3,914	9.4	688	17.6	8,267	19.8
Middle	18	56.3	27,665	66.3	3,166	11.4	9,494	22.8
Upper	7	21.9	10,141	24.3	739	7.3	16,775	40.2
NA	3	9.3	11	0.0	0	0.0		
<b>Total</b>	<b>32</b>	<b>100.0</b>	<b>41,731</b>	<b>100.0</b>	<b>4,593</b>	<b>11.0</b>	<b>41,731</b>	<b>100.0</b>
	Owner Occupied Units by Tract		Households					
			HHs by Tract		HHs < Poverty by Tract		HHs by HH Income	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	11,344	20.0
Moderate	1,213	3.8	5,057	8.9	1,136	22.5	10,297	18.2
Middle	20,866	65.1	37,517	66.2	5,040	13.4	11,970	21.1
Upper	9,994	31.1	14,020	24.8	1,269	9.1	23,022	40.7
NA	0	0.0	39	0.1	0	0.0		
<b>Total</b>	<b>32,073</b>	<b>100.0</b>	<b>56,633</b>	<b>100.0</b>	<b>7,445</b>	<b>13.1</b>	<b>56,633</b>	<b>100.0</b>
	Total Businesses by Tract		Businesses by Tract and Revenue Size					
			Less than or = \$1 Million		Over \$1 Million		Revenue not Reported	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	473	9.8	414	9.2	57	20.2	2	4.1
Middle	3,211	66.4	3,006	66.7	174	61.7	31	63.3
Upper	1,134	23.4	1,070	23.8	50	17.7	14	28.6
NA	18	0.4	15	0.3	1	0.4	2	4.0
<b>Total</b>	<b>4,836</b>	<b>100.0</b>	<b>4,505</b>	<b>100.0</b>	<b>282</b>	<b>100.0</b>	<b>49</b>	<b>100.0</b>
<b>Percentage of Total Businesses:</b>				<b>93.2</b>		<b>5.8</b>		<b>1.0</b>

\*NA-Tracts without household or family income as applicable

As previously noted, ACS data was updated in 2017 resulting in demographic differences between 2016 and 2017. Accordingly, the following information is based upon the updated survey data for the 2017 analysis.

Based on 2015 ACS data, the assessment area served by the bank has a total population of 183,753 and a median housing value of \$154,038. Within the assessment area, the owner-occupancy rate is 45.1%, which is lower than the owner-occupancy rate for the State of North Carolina (55.7%). The percentage of families living below the poverty level in the assessment area (11.9%) is also lower than the rate in the State of North Carolina (12.8%). The Jacksonville, NC MSA median family income during 2017 equaled \$55,500. The following table includes pertinent demographic data for the assessment area in 2017.

### Assessment Area Demographics

<b>Jacksonville, NC MSA</b> <i>(Based on 2015 ACS Data and 2017 D&amp;B Information)</i>								
Income Categories*	Tract Distribution		Families by Tract		Families < Poverty as a % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	8,183	18.3
Moderate	6	18.8	5,198	11.6	1,005	19.3	8,324	18.6
Middle	18	56.3	32,374	72.2	3,729	11.5	10,706	23.9
Upper	5	15.6	7,266	16.2	581	8.0	17,625	39.2
NA	3	9.3	0	0.0	0	0.0		
<b>Total</b>	<b>32</b>	<b>100.0</b>	<b>44,838</b>	<b>100.0</b>	<b>5,315</b>	<b>11.9</b>	<b>44,838</b>	<b>100.0</b>
	Owner Occupied Units by Tract		Households					
			HHs by Tract		HHs < Poverty by Tract		HHs by HH Income	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	13,104	21.1
Moderate	1,285	3.8	7,160	11.5	1,523	21.3	10,955	17.6
Middle	25,506	76.3	44,942	72.3	6,189	13.8	13,415	21.6
Upper	6,637	19.9	10,083	16.2	973	9.6	24,711	39.7
NA	0	0.0	0	0.0	0	0.0		
<b>Total</b>	<b>33,428</b>	<b>100.0</b>	<b>62,185</b>	<b>100.0</b>	<b>8,685</b>	<b>14.0</b>	<b>62,185</b>	<b>100.0</b>
	Total Businesses by Tract		Businesses by Tract and Revenue Size					
			Less than or = \$1 Million		Over \$1 Million		Revenue not Reported	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	541	12.6	476	12.0	63	22.7	2	4.2
Middle	2,887	67.0	2,683	67.4	167	60.1	37	77.1
Upper	866	20.1	810	20.3	48	17.2	8	16.6
NA	14	0.3	13	0.3	0	0.0	1	2.1
<b>Total</b>	<b>4,308</b>	<b>100.0</b>	<b>3,982</b>	<b>100.0</b>	<b>278</b>	<b>100.0</b>	<b>48</b>	<b>100.0</b>
<b>Percentage of Total Businesses:</b>			<b>92.4</b>		<b>6.5</b>		<b>1.1</b>	

\*NA-Tracts without household or family income as applicable

Marine Corps Base Camp Lejeune is located within the assessment area and provides many employment opportunities with the Department of Defense and Marine Corps Community Services. The local county government and school board also provide a large portion of employment opportunities for residents. Aside from the aforementioned entities, the largest employers include Walmart, Onslow Memorial Hospital, Alorica Inc., Convergys Customer Management Group, Coastal Carolina Community College, and Food Lion.

Recent and historical unemployment rates since the previous evaluation are included in the following table.

Geographic Area	August 2014	August 2015	August 2016	August 2017	June 2018
Onslow County, North Carolina	6.5%	6.1%	5.6%	5.3%	4.6%
State of North Carolina	6.7%	5.9%	5.3%	4.8%	4.2%

Unemployment rates have seen a downward trend across the assessment area and the state since the previous evaluation indicating improving economic conditions. Nevertheless, recent unemployment rates for the assessment area have remained higher than the statewide average.

A local housing authority official was recently contacted to assist in evaluating the bank's CRA performance. The housing authority official observed that while the area does not have low-income census tracts, demographics indicate that a material amount of low-income families reside in the assessment area. As such, opportunities exist to assist in funding affordable housing in the area. In addition, the contact stated that banks are reasonably meeting the financial needs of the local community.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:**

Reported residential mortgage data as well as originated small business loan data from calendar years 2016 and 2017 were fully analyzed and considered in this evaluation. While ACS data is collected and published by the U.S. Census Bureau on an annual basis, the demographic data relied upon in this performance evaluation is based on ACS data that is updated once every five years. The most recent update occurred in 2017. As such, when evaluating the bank's performance, relevant area demographic data from both the 2010 and 2015 ACS is used as a proxy for demand. Dun & Bradstreet (D&B) business demographic data from 2016 and 2017 is also considered when evaluating the bank's performance.

Aggregate HMDA and small business data are both from calendar year 2016. Aggregate HMDA and small business data from calendar year 2017 is not available to the public as of the date of this evaluation. Aggregate data used as a proxy for the bank's HMDA lending includes all activity reported by lenders subject to reporting HMDA data that originated such loans within the bank's assessment area. Similarly, the aggregate small business lending data includes all lenders subject to reporting small business data. Because CBT is not subject to data collection and reporting for the CRA, its small business lending activity is not included in the small business loan aggregate data; however, the data nonetheless serves as a meaningful proxy for demand.

To evaluate the geographic and borrower distribution for a specific loan category within the assessment area, primary emphasis is placed on the number (and corresponding percentage) of loans originated. To arrive at an overall conclusion regarding the distribution of lending, performance in each loan category is then generally weighted by dollar volume of such loans made in the assessment area. In 2016 and 2017, CBT originated \$4.4 million in HMDA lending and \$9.2 million in small business lending. Accordingly, in instances where the bank's performance varies by product, small business lending generally receives greater weight in the overall conclusion.

While HMDA and small business loan data from calendar years 2016 and 2017 were fully analyzed and considered in the evaluation, only bank and aggregate data from 2016 are presented in the assessment area analysis tables. In instances where the 2017 HMDA and small business performances vary significantly from the performance noted during 2016, such variance and the corresponding impact on the overall performance is discussed.

Within CBT's assessment area, a high level of small business lending activity was reported by specialized lenders, who often originate or purchase small business loans in the form of credit cards. The loans, however, tend to be much smaller in size than traditional small business bank loans, and a substantial majority of such loans do not have revenue data reported. The presence of these lenders is reflected in a smaller market share for traditional lenders and tends to understate the percentage of aggregate lending to businesses with annual revenues of \$1 million or less. These factors were considered as an aspect of performance context when evaluating the level and distribution of small business lending.



## Loan-To-Deposit Ratio

The bank's loan-to-deposit ratio as of June 30, 2018, equaled 80.2% and averaged 86.3% for the 17-quarter period ending June 30, 2018. In comparison, the quarterly average loan-to-deposit ratios of a peer group operating in similar areas to CBT ranged from 41.4% to 84.1% during the same 17-quarter period. Since March 31, 2014, assets, net loans, and deposits have increased by 77.3%, 60.3%, and 61.2%, respectively. From a CRA perspective, the bank's loan-to-deposit ratio is considered more than reasonable given the institution's size, financial condition, and local credit needs.

## Lending In Assessment Area

To determine the institution's volume of lending within its assessment area, the geographic location of the bank's 2016 and 2017 HMDA and small business loans was considered. The lending distribution inside and outside of the bank's assessment area is represented in the following table.

**Comparison of Credit Extended Inside and Outside of Assessment Area(s)**

Loan Type	Inside				Outside			
	#	%	\$(000)	%	#	%	\$(000)	%
Home Purchase	26	74.3	2,106	44.2	9	25.7	2,663	55.8
Home Improvement	1	33.3	342	71.3	2	66.7	138	28.8
Refinancing	8	36.4	1,998	32.7	14	63.6	4,117	67.3
Multi-Family Housing	0	0.0	0	0.0	2	100.0	2,236	100.0
<b>Total HMDA related</b>	<b>35</b>	<b>56.5</b>	<b>4,446</b>	<b>32.7</b>	<b>27</b>	<b>43.5</b>	<b>9,154</b>	<b>67.3</b>
Small Business	57	67.1	9,169	66.3	28	32.9	4,654	33.7
<b>TOTAL LOANS</b>	<b>92</b>	<b>62.6</b>	<b>13,615</b>	<b>49.6</b>	<b>55</b>	<b>37.4</b>	<b>13,808</b>	<b>50.4</b>

While only 49.6% of the dollar amount of HMDA and small business loans were extended within the assessment area, a majority of the total number (62.6%) of HMDA and small business loans were extended within the bank's assessment area, as indicated in the previous table. Overall, the institution's level of lending within its assessment area is considered responsive to community credit needs.

## Lending to Borrowers of Different Incomes and To Businesses of Different Sizes

The bank's borrower distribution is considered reasonable for HMDA lending and excellent for small business lending within the assessment area. While the bank's small business lending generally receives greater weight based on a larger dollar volume of such lending in 2016 and 2017, when considering the relative performance levels of each product, CBT's borrower distribution performance is considered reasonable overall.

**Distribution of HMDA Loans by Income Level of Borrower**

Jacksonville, NC MSA (2016)								
Income Categories	Bank				Aggregate			
	#	%	\$(000s)	% \$	#	%	\$(000s)	% \$
<b>HMDA Totals</b>								
Low	0	0.0	0	0.0	128	2.5	8,668	1.1
Moderate	2	11.1	189	7.6	724	14.3	79,245	10.2
Middle	0	0.0	0	0.0	1,719	34.1	241,015	31.0
Upper	16	88.9	2,282	92.4	2,476	49.1	448,852	57.7
<b>Total</b>	<b>18</b>	<b>100.0</b>	<b>2,471</b>	<b>100.0</b>	<b>5,047</b>	<b>100.0</b>	<b>777,780</b>	<b>100.0</b>
Unknown	6		600		2,611		479,686	

*Percentages (%) are calculated on all loans where incomes are known*

During 2016, the bank did not originate any HMDA loans to low-income borrowers; however, the percentage of low-income families (17.2%) and aggregate lending levels (2.5%) indicate that there are lending opportunities to these borrowers. CBT's lending to moderate-income borrowers (11.1%) was less than the percentage of moderate-income families (19.8%) and aggregate bank lending levels (14.3%). Nonetheless, the bank's overall performance during 2016 is considered reasonable.

In 2017, CBT originated eight loans totaling \$1.2 million, for which the borrowers' incomes were known. Of the eight originations, none were extended to low-income borrowers and two loans (25%) totaling \$58,000 (5%) were extended to a moderate-income borrowers. While CBT did not originate any loans to low-income borrowers, aggregate lending levels to low-income borrowers in 2016 (2.5%) and the percentage of low-income families in 2017 (18.3%) suggest opportunities exist. Conversely, the bank's level of lending to moderate-income borrowers significantly exceeded aggregate lending to such borrowers in 2016 (14.3%) and the percentage of moderate-income families in 2017 (18.6%) within the assessment area. Overall, the bank's performance during 2017 is also considered reasonable.

Consequently, CBT's overall HMDA lending is considered reasonable.

### **Distribution of Lending by Loan Amount and Size of Business**

Jacksonville, NC MSA (2016)								
<i>by Revenue</i>	Bank				Aggregate*			
	#	%	\$(000s)	% \$	#	%	\$(000s)	% \$
\$1 Million or Less	21	75.0	5,223	88.0	1,033	50.6	33,473	40.1
Over \$1 Million	7	25.0	715	12.0	NA	NA	NA	NA
Unknown	0	0.0	0	0.0	NA	NA	NA	NA
<i>by Loan Size</i>								
	#	%	\$(000s)	% \$	#	%	\$(000s)	% \$
\$100,000 or less	15	53.6	737	12.4	1,897	92.9	29,768	35.7
\$100,001-\$250,000	5	17.9	815	13.7	67	3.3	12,036	14.4
\$250,001-\$1 Million	8	28.5	4,385	73.9	77	3.8	41,690	49.9
<b>Total</b>	<b>28</b>	<b>100.0</b>	<b>5,937</b>	<b>100.0</b>	<b>2,041</b>	<b>100.0</b>	<b>83,494</b>	<b>100.0</b>

\* No data is available for Aggregate loans with Revenues over \$1 million and those with Unknown revenues

D&B data from 2016 indicates that 93.2% of all local businesses have revenues that do not exceed \$1 million per year. According to 2016 aggregate small business data, 50.6% of reported loans were to businesses with annual revenues of \$1 million or less. The remaining portion of loans were to businesses that either had revenues exceeding \$1 million or had unknown revenues. As part of performance context, the aggregate data was also considered after excluding certain specialty lenders. After excluding large credit card lenders, 56.9% of the remaining reported small business loans were to businesses having revenues of \$1 million or less. Of the small business loans reported by CBT, originations to businesses having annual revenues of \$1 million or less equaled 75%. Given these contextual factors, the bank's small business lending performance is considered excellent and its 2017 lending is substantially similar.

### **Geographic Distribution of Loans**

The bank's geographic distribution performance is considered poor for HMDA lending and reasonable overall for small business lending within the assessment area. CBT's assessment area contains no low-income census tracts; therefore, performance was determined by the bank's level of lending within moderate-income census tracts. Given the greater weight of the bank's small business lending due to the larger dollar volume of such lending in 2016 and 2017, when considering the relative performance levels of each product, CBT's geographic distribution performance is considered reasonable.

**Distribution of HMDA Loans by Income Level of Census Tract**

Jacksonville, NC MSA (2016)								
Income Categories	Bank				Aggregate			
	#	%	\$ (000s)	% \$	#	%	\$ (000s)	% \$
	(17) Home Purchase				(4,544)			
Low	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	0	0.0	0	0.0	75	1.7	10,558	1.4
Middle	14	82.4	905	82.2	3,208	70.6	536,462	69.0
Upper	3	17.6	196	17.8	1,261	27.7	230,976	29.6
	(7) Refinance				(2,678)			
Low	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	0	0.0	0	0.0	56	2.1	7,221	1.6
Middle	6	85.7	1,090	55.3	1,871	69.9	305,352	67.8
Upper	1	14.3	880	44.7	751	28.0	137,522	30.6
	(0) Home Improvement				(423)			
Low	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	0	0.0	0	0.0	15	3.5	372	2.0
Middle	0	0.0	0	0.0	298	70.4	13,608	72.8
Upper	0	0.0	0	0.0	110	26.1	4,722	25.2
	(0) Multi-Family				(5)			
Low	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	0	0.0	0	0.0	0	0.0	0	0.0
Middle	0	0.0	0	0.0	4	80.0	8,238	88.8
Upper	0	0.0	0	0.0	1	20.0	1,039	11.2
	HMDA Totals							
Low	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	0	0.0	0	0.0	146	1.9	18,151	1.4
Middle	20	83.3	1,995	65.0	5,381	70.3	863,660	68.7
Upper	4	16.7	1,076	35.0	2,123	27.7	374,259	29.8
NA*	0	0.0	0	0.0	8	0.1	1,396	0.1
<b>Total</b>	<b>24</b>	<b>100.0</b>	<b>3,071</b>	<b>100.0</b>	<b>7,658</b>	<b>100.0</b>	<b>1,257,466</b>	<b>100.0</b>

NA\*-Tracts without household or family income as applicable

During 2016, home purchase loans were the leading HMDA product by number followed by refinance loans for both the bank and aggregate reporters. Considering both demographic and aggregate proxies for demand, the bank's performance for home purchase and refinance loans are considered poor. The bank did not extend any home improvement or multifamily loans during 2016.

CBT did not originate any HMDA loans in moderate-income census tracts during 2016; however, the percentage of owner-occupied housing units located in moderate-income census tracts (3.8%) and aggregate lending levels in such tracts (1.9%) indicate there are lending opportunities within these tracts. Overall, the performance of lending in moderate-income census tracts during 2016 is considered poor, and its 2017 lending is substantially similar.

**Distribution of Small Business Loans by Income Level of Census Tract**

<b>Jacksonville, NC MSA (2016)</b>								
<b>Income Categories</b>	<b>Bank</b>				<b>Aggregate</b>			
	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>% \$</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>% \$</b>
Low	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	4	14.3	217	3.7	149	7.4	12,245	14.8
Middle	16	57.1	4,181	70.4	1,359	67.6	50,094	60.5
Upper	8	28.6	1,539	25.9	502	25.0	19,901	24.0
NA*	0	0.0	0	0.0	1	0.0	544	0.7
<b>Total</b>	<b>28</b>	<b>100.0</b>	<b>5,937</b>	<b>100.0</b>	<b>2,011</b>	<b>100.0</b>	<b>82,784</b>	<b>100.0</b>

\*NA-Tracts without household or family income as applicable

Loans where the geographic location is unknown are excluded from this table.

D&B data from 2016 indicates that 9.8% of all area businesses are located in moderate- income census tracts. During 2016, aggregate lenders reported extending 7.4% of small business loans in moderate-income census tracts. The bank's lending performance in moderate-income census tracts (14.3%) exceeds both proxies for demand. This level of small business lending is considered excellent.

In 2017, CBT originated 29 loans totaling \$3.2 million in the assessment area. Of these loans, one (3.4%) totaling \$89,000 (2.8%) was extended in a moderate-income census tracts. This level of lending is significantly lower than the percentage of small businesses located in such tracts (12.6%) and aggregate bank lending levels in 2016 (7.4%). This level of lending is considered to be poor.

On a combined basis, CBT's lending performance to businesses is considered reasonable overall when taking into account the larger dollar volume of small business lending during 2016 and the relative performance levels in each year.

**ASSESSMENT AREA DELINEATIONS**

A review of the bank's assessment area found that its delineation complied with the requirements of Regulation BB. The assessment area delineation included all of the bank's branches and deposit taking automated teller machines. It also included an entire MSA, did not reflect illegal discrimination (e.g. through the exclusion of majority-minority census tracts), and did not arbitrarily exclude low- or moderate-income census tracts.

**Fair Lending or Other Illegal Credit Practices Review**

No evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs was identified. Adequate policies, procedures, and training programs have been developed to support nondiscrimination in lending activities.

## GLOSSARY

**Aggregate lending:** The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

**Census tract:** A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

**Community development:** All Agencies have adopted the following language. Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or, activities that revitalize or stabilize low- or moderate-income geographies.

Effective September 1, 2005, the Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation have adopted the following additional language as part of the revitalize or stabilize definition of community development. Activities that revitalize or stabilize-

- (i) Low-or moderate-income geographies;
- (ii) Designated disaster areas; or
- (iii) Distressed or underserved nonmetropolitan middle-income geographies designated by the Board, Federal Deposit Insurance Corporation, and Office of the Comptroller of the Currency, based on-
  - (A) Rates of poverty, unemployment, and population loss; or
  - (B) Population size, density, and dispersion. Activities that revitalize and stabilize geographies designated based on population size, density, and dispersion if they help to meet essential community needs, including needs of low- and moderate-income individuals.

**Consumer loan(s):** A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into 'male householder' (a family with a male householder and no wife present) or 'female householder' (a family with a female householder and no husband present).

**Full-scope review:** Performance under the Lending Test (and if applicable, consideration of investments and services) is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (for example, innovativeness, complexity, and responsiveness).

**Geography:** A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

**Home Mortgage Disclosure Act (HMDA):** The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applications, the amount of loan requested, and the disposition of the application (for example, approved, denied, and withdrawn).

**Home mortgage loans:** Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwelling loans, loans for the purchase of manufactured homes and refinancings of home improvement and home purchase loans.

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Limited-scope review:** Performance under the Lending Test (and if applicable, consideration of investments and services) is analyzed using only quantitative factors (for example, geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

**Low-income:** Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

**Market share:** The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

**Metropolitan area (MA):** A metropolitan statistical area (MSA) or a metropolitan division (MD) as defined by the Office of Management and Budget. A MSA is a core area containing at least one urbanized area of 50,000 or more inhabitants, together with adjacent communities having a high degree of economic and social integration with that core. A MD is a division of a MSA based on specific criteria including commuting patterns. Only a MSA that has a population of at least 2.5 million may be divided into MDs.

**Middle-income:** Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography.

**Moderate-income:** Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

**Multifamily:** Refers to a residential structure that contains five or more units.

**Other products:** Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

**Owner-occupied units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

**Qualified investment:** A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

**Rated area:** A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

**Small loan(s) to business(es):** A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) and the Thrift Financial Reporting (TFR) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans. However, thrift institutions may also exercise the option to report loans secured by nonfarm residential real estate as "small business loans" if the loans are reported on the TFR as nonmortgage, commercial loans.

**Small loan(s) to farm(s):** A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

**Upper-income:** Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent, in the case of a geography.